

Examiner's Amendment

1. **(currently amended)** A method implemented on a computer for pricing a financial derivative of a non-marketed variable x_e , the method comprising:
 - retrieving from a storage medium into memory of the computer information associated with the non-marketed variable x_e , and a market representative x_m , wherein the market representative x_m is useful in determining a value of the financial derivative;
 - calculating on the computer a solution to an equation involving a price of the financial derivative $V(x_e, t)$ defined as a function of x_e and time t , wherein the equation comprises a coefficient involving the information associated with x_e and x_m ; and
 - generating on the computer an output including the calculated price of the financial derivative;
- wherein the information associated with x_e and x_m comprises a drift rate of the non-marketed variable x_e , and a drift rate of the market representative x_m ;
- wherein the information associated with x_e and x_m further comprises variances of the non-marketed variable x_e and the market representative x_m , and a covariance between the non-marketed variable x_e and the market representative x_m ;
- wherein the coefficient involving the information associated with x_e and x_m has the form $\mu_e - \beta_{em}(\mu_m - r)$, where μ_e is a drift rate of the non-marketed variable x_e , μ_m is a drift rate of the market representative x_m , and β_{em} is a factor derived from a variance of the market representative x_m and a covariance between the non-marketed variable x_e and the market representative x_m ;
- wherein the market representative x_m comprises a marketed asset or combination of such assets that is approximately most correlated with the non-marketed variable x_e ;
- wherein the equation is an extended Black-Scholes equation obtained from a standard Black-Scholes equation by replacing, in a term involving a first-order partial derivative of $V(x_e, t)$ with respect to x_e , a coefficient r , representing an interest rate, by the coefficient involving the information associated with x_e and x_m .